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January 20, 2004

The Honorable Bruce Duke
Executive Director
Public Service Commission of South Carolina
Post Office Drawer 11649
Columbia, South Carolina 29211

Re: Proceeding to Establish Guidelines for an Intrastate Universal Service Fund
Docket No. 97-239-C

Dear Mr. Duke:

Enclosed for filing are an original and twenty-five copies of the Supplemental Direct Testimony and exhibits of BellSouth Telecommunications Inc.'s witness Mrs. Kathy K. Blake in the above-captioned matter.

The purpose of this supplemental direct testimony is to correct an error in Ms. Blake's per-filed direct testimony that was discovered in the course of answering an interrogatory request from ITC^DeltaCom Communications, Inc.

By copy of this letter, I am serving all parties of record with a copy of this documents as indicated on the attached Certificate of Service.

Sincerely,



Patrick W. Turner

PWT/nml
Enclosure
cc: All Parties of Record
PC Docs # 522653

1 BELLSOUTH TELECOMMUNICATIONS, INC.
2 SUPPLEMENTAL DIRECT TESTIMONY OF KATHY K. BLAKE
3 BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA
4 DOCKET NO. 97-239-C
5 JANUARY 20, 2004
6
7

8 Q. PLEASE STATE YOUR NAME, YOUR POSITION WITH BELLSOUTH
9 TELECOMMUNICATIONS, INC. ("BELLSOUTH") AND YOUR BUSINESS
10 ADDRESS.
11

12 A. My name is Kathy K. Blake. I am employed by BellSouth as Director – Policy
13 Implementation for the nine-state BellSouth region. My business address is 675
14 West Peachtree Street, Atlanta, Georgia 30375.
15

16 Q. ARE YOU THE SAME KATHY BLAKE WHO FILED DIRECT TESTIMONY
17 IN THIS DOCKET ON DECEMBER 31, 2004?
18

19 A. Yes.
20

21 Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL DIRECT
22 TESTIMONY?
23
24
25

1 A. The purpose of my supplemental direct testimony is to correct an error in my pre-
2 filed direct testimony that was discovered in the course of answering an
3 interrogatory request from ITC^DeltaCom Communications, Inc. ("DeltaCom").
4

5 Q. PLEASE DESCRIBE THAT ERROR.
6

7 A. On page 13, lines 17-21 of my pre-filed direct testimony, I state that
8

9 BellSouth participated in this first step of the Initial Phase by
10 reducing its intrastate switched access rates by an amount that
11 removed \$22.760 million annually in implicit universal service
12 support from BellSouth's intrastate switched access rates.
13 BellSouth is recovering that amount from the State USF today.
14

15 I have subsequently discovered that the amount actually is \$24.677 million.
16

17 Q. HOW DID YOU DISCOVER THIS ERROR?
18

19 A. In preparing my pre-filed direct testimony, I relied on the testimony of BellSouth
20 witness Henri Etta Baskins that was pre-filed in this docket on June 5, 2000. I
21 also relied on Order No. 2001-419 that the Commission entered in this docket on
22 June 6, 2001. The figure in Ms. Baskins' testimony was based on data that was
23 available at the time her testimony was pre-filed with the Commission.
24
25

1 Subsequently, in participating in the preparation of BellSouth's response to data
2 requests served by DeltaCom, I noticed that the figures in BellSouth's response
3 did not correspond to this figure in my testimony.

4
5 Upon investigation, I learned that after Ms. Baskins pre-filed her testimony, and
6 after the Commission entered Order No. 2001-419 in this docket, the Staff of the
7 Public Service Commission of South Carolina requested updated data from
8 BellSouth. See Exhibit KKB-4. BellSouth responded to the Staff's request on
9 August 17, 2001. See Exhibit KKB-5.

10
11 As set forth in Exhibit KKB-5, BellSouth's response to the Staff's request
12 identified a revised impact of the reduction for access charges to Interexchange
13 Carriers ("IXCs") of \$24,139,630. BellSouth's response also identified an
14 additional impact of \$537,707 due to the reduction in revenues received from
15 Independent Telephone Companies ("ICOs") as a result of the decrease in
16 switched access rates.

17
18 The total impact of this updated data was \$24,677,377, which is the sum of
19 \$24,139,630 (the impact of the access tariff filing to reduce switched access
20 charges to IXCs) and \$537,707 (the impact of reduced settlement payments from
21 ICOs). This is the amount that BellSouth is drawing from the State USF today.

1 Q. IS THIS THE NUMBER THAT SHOULD BE REFLECTED ON PAGE 13 OF
2 YOUR PRE-FILED DIRECT TESTIMONY?

3

4 A. Yes.

5

6

7 Q. PLEASE EXPLAIN HOW THIS CORRECTION IMPACTS THE
8 REMAINDER OF YOUR PRE-FILED DIRECT TESTIMONY.

9

10 A. The impact is very minor. First, page 13, lines 16-21 of my pre-filed direct
11 testimony should read as follows:

12

13 The first step of the Initial Phase was a reduction in intrastate switched
14 access rates, and all ILECs were required to implement this step at the
15 same time. BellSouth participated in this first step of the Initial Phase by
16 reducing its intrastate switched access rates by an amount that removed
17 ~~\$22.760~~ \$24.677 million annually in implicit universal service support
18 from BellSouth's intrastate switched access rates. BellSouth is recovering
19 that amount from the State USF today.

20

21 Second, page 15, lines 11-18 of my pre-filed direct testimony should read as
22 follows:

23

24 The Administrative Procedures also provide that this "Second Phase for
25 implementation of the SC USF shall be limited to no more than two thirds

1 (66.67%) of the total State USF, for each ILEC." BellSouth is in
2 compliance with this requirement. The \$7.991 million that BellSouth
3 seeks to withdraw from the State USF in this proceeding, when combined
4 with the ~~\$22.760~~ \$24.677 million that BellSouth is already withdrawing
5 from the State USF, will result in BellSouth's withdrawing a total of
6 ~~\$30.751~~ \$32.668 million from the fund. This is only ~~18%~~ 19% of the
7 \$171 million that represents the BellSouth-specific size of the State USF.
8

9 Finally, footnote 29 on page 15 of my pre-filed direct testimony should read as
10 follows:
11

12 If the \$716,000 in Lifeline funding that BellSouth is receiving is
13 considered as well, BellSouth will be withdrawing a total of ~~\$31.467~~
14 \$33.384 million from the State USF. This is only ~~18.4%~~ 19.5% of the
15 \$171 million that represents the BellSouth-specific size of the State USF.
16

17 Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL DIRECT TESTIMONY?
18

19 A. Yes.
20

21 522750
22
23
24
25

COMMISSIONERS
WILLIAM "BILL" SAUNDERS, 1ST DISTRICT
CHAIRMAN
H. CLAY CARRUTH, JR., 5TH DISTRICT
VICE CHAIRMAN



COMMISSIONERS
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RANDY MITCHELL, 3RD DISTRICT
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C. ROBERT MOSELEY, AT LARGE

GARY E. WALSH
EXECUTIVE DIRECTOR
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The Public Service Commission State of South Carolina

PO Drawer 11649
Columbia, SC 29211
Koger Executive Center
101 Executive Center
Columbia, SC 29210
www.psc.state.sc.us

August 6, 2001

Ref: Implementation of Intrastate Universal Service Fund (USF) for the State of South Carolina.

In Staff's letter of July 20, 2001, the South Carolina Public Service Commission requested information related to your intrastate and interstate revenues for the twelve-(12) month period ending December 31, 2000. Per the Commission's Orders in the USF Docket, all telecommunications providers were required to report all such revenues excluding access revenues and other non-end user revenues. Such revenues were to be filed with the Commission by August 17, 2001.

In order for the Commission Staff to be able to complete the computation of the USF surcharge, your Company will need to file additional information with the Commission. This matter was discussed during the recent meeting held with all Eligible Telecommunications Carriers (ETC's). This meeting was held on August 3, 2001. As a result of this meeting, the following information will needed to be filed with the Commission Staff by the date of August 17, 2001:

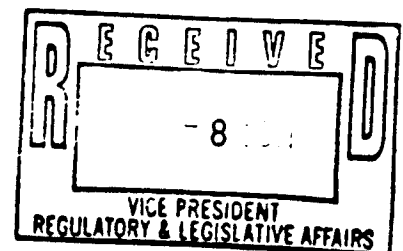
- 1. Calculate the intrastate-switched access minutes of use of the twelve- (12) months ending June 30, 2001. Also, include the annual impact of reducing the switched access rate from \$.06 per minute to \$.03 per minute effective October 1, 2001.*
- 2. Calculate the annual financial impact of the maximum support for Lifeline and Linkup services for Low-Income consumers.*

Thank you in advance for your full cooperation in providing this information.

A handwritten signature in dark ink, appearing to read "William P. Blume".

William P. Blume
Audit Manager
South Carolina Public Service Commission

BellSouth Telecommunications, Inc.
SCPSC Docket No. 1997-239-C
January 20, 2004
Exhibit KKB-4
Page 1 of 1





James A. Thompson
Director - Regulatory

Room 5540
1600 Williams Street
PO Box 752
Columbia, South Carolina 29202-0752
803-401-2215
FAX 803-765-9748

August 17, 2001

Mr. William P. Blume
Audit Manager
Public Service Commission of South Carolina
PO Drawer 11649
Columbia, SC 29211

Dear Mr. Blume:

This letter is in response to your memo of August 6, 2001 requesting additional information necessary to implement the South Carolina Universal Service Fund. Below and attached is the requested information:

- 1)
 - a) Intrastate Switched Access Minutes of Use: Carrier Common Line element - 1,540,310,707 (see attached for more details)
 - b) Annual impact of reducing switched access composite rate from \$0.06 to \$0.03 per minute: \$24,139,630 (see attached for more details)
- 2) Annual financial impact of the state portion of lifeline support for low-income customers: \$716,436 ($\$3.50 \times 12 \text{ months} \times 17,058 \text{ customers}$)

Please contact me if you have any questions regarding this information.

August 9, 2001

2000
SOUTH CAROLINA
INTRASTATE
SWITCHED ACCESS

	BASE		PROPOSED	
	REVENUE	MOU	REVENUE	MOU
ER COMMON LINE				
VATING - PREM	\$4,518,796	662,774,389	\$0	662,774,389
NATING - PREM	\$21,426,804	877,536,318	\$1,805,970	877,536,318
VATING - NON PREM	\$0	0	\$0	0
NATING - NON PREM	\$0	0	\$0	0
MENTAL CCL (SLC INCREASE)	\$0	0	\$0	0
MENTAL CCL (FROM PICC REVENUE)	\$0	0	\$0	0
MENTAL CCL (FROM USF REVENUE)	\$0	0	\$0	0
3 CCL	\$0	0	\$0	0
CARRIER COMMON LINE	\$25,945,600	1,540,310,707	\$1,805,970	1,540,310,707
IED TRANSPORT				
ATED #	\$2,061,055	0	\$2,061,055	0
ON	\$1,387,969	0	\$1,387,969	0
CONNECTION	\$0	0	\$0	0
LOCAL TRANSPORT	\$3,449,024	0	\$3,449,024	0
PORT REVENUE PER LS MOU	\$0.00221		\$0.00221	
SWITCHING *				
	\$9,611	877,699	\$9,611	877,699
	\$17,500,151	1,560,826,628	\$17,500,151	1,560,826,628
	\$0	0	\$0	0
IN EQUIV FGs	\$0	0	\$0	0
2 LS	\$0	0	\$0	0
	\$89,307	0	\$89,307	0
LOCAL SWITCHING	\$17,599,069	1,561,704,327	\$17,599,069	1,561,704,327
TRAFFIC SENSITIVE & REVENUES.....	\$48,993,694		\$22,854,063	
UE PER MINUTE	\$0.03009		\$0.01463	
	BASE REVENUE	PROPOSED REVENUE	NET EFFECT	
CCLC	\$25,945,600	\$1,805,970		
SWITCHED TRANSPORT #	\$3,449,024	\$3,449,024	(\$24,139,630)	
LOCAL SWITCHING	\$17,599,069	\$17,599,069	\$0	
OTHER	\$1,342,040	\$1,342,040	\$0	
	\$48,335,734	\$24,196,104	(\$24,139,630)	

REVENUE INCLUDES INFORMATION SURCHARGE WHERE APPLICABLE
 REVENUE INCLUDES EXCESS LINE PORT CHARGES
 REVENUE INCLUDES TANDEM TRUNK PORT AND MUX PER MOU CHARGES
 REVENUE INCLUDES END OFFICE TRUNK PORT CHARGES
 SWITCHED TRANSPORT DOES NOT INCLUDE NON-RECURRING CHARGES, OR DA TRANSPORT

SOUTH CAROLINA SWITCHED ACCESS RATE COMPARISON

RATE ELEMENTS	Current	10/01/2001
Carrier Common Line		
Originating		
Terminating	\$0.006818	\$0.000000
Transport*	\$0.024417	\$0.002058
DS1 Local Channel		
Interconnection	\$0.000418	\$0.000418
Originating	\$0.000000	\$0.000000
Terminating	\$0.000000	\$0.000000
DS1 Interoffice Channel	\$0.001791	\$0.001791
Local Switching 2		
DS1 Direct End Office Trunk	\$0.010950	\$0.010950
Information Surcharge	\$0.000438	\$0.000438
Originating**	\$0.000374	\$0.000374
Terminating**	\$0.020789	\$0.013971
Total**	\$0.038388	\$0.016029
	\$0.059177	\$0.030000

BellSouth SWA reduction associated with USF - rev. impact (\$24.14M) - File: 9/24/01 Effective: 10/1/01

- * The transport rates per minute of use reflects 13,330 minutes of use per voice grade equivalent, DS1 Switched Transport and Interoffice Switched Transport of 21 miles.
- ** Composite rates includes Carrier Common Line, DS1 Switched Transport, Interconnection, Local Switching 2 and Information Surcharge (Per 100 MOU).

**South Carolina
 CCL Rate Reduction
 "Independent Company Settlements"**

Annual ICO Originated MOU: 24,217,104

<u>ICO to Bell Traffic</u> <u>CCL</u>	<u>Current</u>	<u>Proposed</u>	<u>Difference</u>	<u>Annual</u> <u>Orig. CCL</u> <u>MOU</u>	<u>Annual</u> <u>Orig. CCL</u> <u>Revenue Loss</u>	<u>Annual</u> <u>Term. CCL</u> <u>MOU</u>	<u>Annual</u> <u>Term. CCL</u> <u>Revenue Loss</u>	<u>BellSouth's</u> <u>Annual "CCL"</u> <u>Revenue Loss</u>
Originating	0.006818	0	-0.006818	242,171	-\$1,651	23,974,933	-\$536,056	
Terminating	0.024417	0.002058	-0.022359					-\$537,707

**South Carolina
 CCL Rate Reduction
 "Independent Company Settlements"**

Source: Independent Company Settlements Tracking Reports
 Period - July 2000 through June 2001

Annual ICO Originated MOU:		24,217,104						
ICO to Bell Traffic				<u>Annual</u>	<u>Annual</u>	<u>Annual</u>	<u>Annual</u>	BellSouth's
<u>CCL</u>	Current	Proposed	Difference	<u>Orig. CCL</u>	<u>Orig. CCL</u>	<u>Term. CCL</u>	<u>Term. CCL</u>	Annual "CCL"
Originating	0.006818	0	-0.006818	<u>MOU</u>	<u>Revenue Loss</u>	<u>MOU</u>	<u>Revenue Loss</u>	Revenue Loss
Terminating	0.024417	0.002058	-0.022359	242,171	-\$1,651	23,974,933	-\$536,056	-\$537,707

Annual ICO Terminated MOU:		48,642,221						
Verizon MOU		10,032,640						
Verizon Rate:		-0.01452						
Verizon Charges:		-\$145,674						
Adjusted Annual ICO Terminated MOU:		38,609,581						
Bell to ICO Traffic				<u>Annual</u>	<u>Annual</u>	<u>Annual</u>	<u>Annual</u>	BellSouth's
<u>CCL</u>	Current	Proposed	Difference	<u>Orig. CCL</u>	<u>Orig. CCL</u>	<u>Term. CCL</u>	<u>Term. CCL</u>	Annual "CCL"
Originating	0.006818	0	0.006818	<u>MOU</u>	<u>Savings</u>	<u>MOU</u>	<u>Savings</u>	Savings
Terminating	0.02639	0.002934	0.023456	386,096	\$2,632	38,223,485	\$896,570	\$899,202

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 97-239-C

IN RE: Proceeding to Establish Guidelines)
 for an Intrastate Universal Service Fund)
_____)

This is to certify that the undersigned, Nyla M. Laney, is employed by the Legal Department for BellSouth Telecommunications, Inc. and that she has caused the Supplemental Direct Testimony of Kathy K. Blake in the foregoing matter to be served upon the person(s) named below this 20th day of January, 2004, by placing copies of same in the United States Mail, postage prepaid, addressed as follows:

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Kennard B. Woods, Esquire
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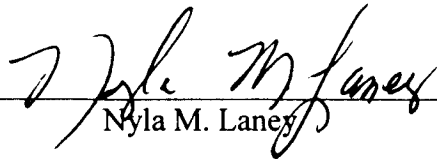
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